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INFO RUEHBJ/AMEMBASSY BEIJING 1546
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RUEHHK/AMCONSUL HONG KONG 1099
RUEHKO/AMEMBASSY TOKYO 0228
RUEHUL/AMEMBASSY SEOUL 0139
RUEHGP/AMEMBASSY SINGAPORE 0092
RHEHAAA/NSC WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHGH/AMCONSUL SHANGHAI 6993

UNCLAS SECTION 01 OF 07 SHANGHAI 000762

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STATE FOR EAP/CM, EB AND E
DOT FOR MARAD
TREASURY FOR AMB. HOLMER, WRIGHT, TSMITH
USDOC FOR ITA MAC DAS KASOFF, MELCHER, MCQUEEN
NSC FOR HUBBARD AND TONG

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SUBJECT: 2ND CHINA-U.S. MARITIME CONSULTATIVE MEETING

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1. (SBU) Summary: On November 28 and 29, members of the U.S. Maritime Administration delegation led by Maritime Administrator Sean Connaughton met with the Chinese Ministry of Communications delegation led by Vice Minister Xu Zuyuan in Shanghai. The two sides discussed a wide range of bilateral maritime issues, including the implementation of the bilateral maritime agreement. The U.S. side raised the issue of a pending wholly foreign-owned enterprise (WFOE) application of Matson Navigation, tonnage dues on U.S.-owned foreign registered vessels, and the U.S.-China Maritime Agreement treatment of non-vessel operating common carriers (NVOCCs). The Chinese side raised visa issues regarding Chinese seafarers, U.S. Customs regulations on the transmission of manifest information, regulations at U.S. ports regarding environmental protection, financial responsibility of U.S. NVOCCs doing business in China, and inland transportation efficiency in the U.S. Both sides exchanged views on container shipping of bulk grains and competition policy for ocean carriers. The two sides agreed on the minutes of the meeting and signed the following text. End Summary

Begin Text

AGREED MINUTES OF THE 2ND CHINA-U.S. MARITIME CONSULTATIVE MEETING

1. Delegations from the People's Republic of China, led by the Ministry of Communications, and the United States, led by the Maritime Administration met in Shanghai on November 28th and 29th, 2007, to discuss the implementation of the bilateral maritime agreement and other related matters in the maritime service sector. The consultative meeting was held in a friendly atmosphere and was pragmatic, frank and fruitful. The Chinese delegation was led by Vice Minister Xu Zuyuan, and the United States' delegation was led by Maritime Administrator Sean T.

Connaughton. Full delegation lists are attached.

¶2. Vice Minister Xu and Maritime Administrator Connaughton placed a high value on the role played by the bilateral maritime agreement in strengthening bilateral maritime cooperation and promoting bilateral trade. Both sides expressed satisfaction on the implementation of the bilateral maritime agreement. They expressed the view that China and the U.S. are not only two important trade partners, but also big shipping countries. Since both countries are Category A members of the IMO Council, both sides have the responsibility to strengthen cooperation in maintaining safety, increasing efficiency of maritime services and protecting the environment. Both sides agreed to maintain the annual consultation mechanism with a positive and cooperative attitude, to further promote bilateral maritime relations.

¶3. Both sides introduced current developments in their shipping policies and other information on maritime-related fields. The Chinese side explained the measures they are adopting for energy saving and environmental protection, and gave an introduction to their port development plan, inland shipping development, endeavors for promoting the development of private shipping enterprises, and measures to strengthen port and shipping safety and security. The U.S. side explained their goals for infrastructure investment and congestion mitigation. The U.S. side also expressed their interests in new Arctic shipping routes, the expansion of the Panama Canal, the shortage of seafarers and protection of the environment. The U.S. side explained new legislation for container security. Both sides expressed the view that there are many issues and concerns in the maritime field which merit further communication between the two sides.

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¶4. The U.S. side expressed their strong interests in obtaining WFOE status for Matson Navigation, a new entrant in the trade between China and the U.S. In view of the cooperative spirit of U.S./China maritime relations and obligations of the bilateral maritime agreement, the U.S. side requested the Chinese side to approve the application before December 31, 2007. The Chinese side replied that they recognized the importance of this matter to the bilateral relationship and stated that they would take positive steps to process the application.

¶5. The Chinese side held the view that the visa system in the U.S. creates many difficulties and inconveniences for Chinese seafarers to enter U.S. ports and asked the U.S. side to take into consideration the special nature of the shipping business and seafarers and to extend the validity of the seafarers' visas to five years on a reciprocal basis. The U.S. side explained U.S. visa policy and agreed to contact the competent U.S. authority about measures to address these concerns as part of a resolution of broader visa issues between the two countries. The Chinese side holds the view that this issue should not be linked with broader visa issues and should be resolved on a reciprocal basis.

¶6. In accordance with Article 1 paragraph 2 and Article 6 paragraph 2 of the bilateral maritime agreement, the U.S. side asked the Chinese side to charge the same tonnage dues on U.S. owned foreign registered vessels as on vessels registered in the U.S. The Chinese side explained that they had fully implemented the provisions of paragraph 2 of Article 6 of the bilateral maritime agreement. The Chinese side gave further explanation on their tonnage dues policy which allowed favorable treatment relating to levying of tonnage dues on a vessel at Chinese ports if the vessel flies the flag of a country whose government had entered into a bilateral maritime agreement or other related agreement on favorable taxation. The Chinese side further explained that vessels flying the flag of third countries and owned or operated by U.S. shipping companies enjoy the same treatment relating to levying of tonnage dues as those of Chinese shipping companies flying the flag of third countries. The U.S. side requested further information from the Chinese

side on this matter. The Chinese side agreed to provide the relevant information.

¶17. The Chinese side pointed out that in accordance with U.S. regulations, when a vessel carries cargo loaded in U.S. ports and bound for China, complete manifest information and shipper's declaration must be submitted to U.S. Customs and Border Protection before the vessel's departure. The Chinese side noted that China is on a list of countries subject to this differentiated treatment and asked the U.S. side to eliminate the differentiated treatment. The Chinese side asked the U.S. side to eliminate this differentiated treatment problem in order to provide more convenient, fair maritime transport for the bilateral trade. The U.S. side expressed their willingness to provide further information on the legislative background and implementation status of this measure and would give the Chinese side further explanation on this regulation.

¶18. Both sides exchanged viewpoints on the transportation of bulk grains in containers in the China-U.S. trade and expressed their willingness to communicate with their respective competent authorities to explore ways to increase container transport efficiency and alleviate container imbalance. Both sides exchanged views on alleviating congestion in U.S. inland transport networks.

¶19. The Chinese side raised the issue of inconsistency of environmental protection standards in different states of the U.S., which was inconvenient and increased operating costs for carriers. The U.S. side explained that U.S. law gives states considerable authority to set their own environmental standards. In order to avoid unilateral action and to implement uniform international standards, both sides recognize the importance of close cooperation in the IMO framework.

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¶10. The U.S side raised the issue of problems U.S. NVOCCs are experiencing in China. The U.S. side proposed that the bond required by the FMC should extend to China cross trades as well as the bilateral trade. The Chinese side held the view that this issue involves an adjustment of the arrangement between the two sides reached in 2003. The Chinese side indicated that they had fully implemented the Memorandum of Consultations signed on December 8th, 2003 by providing facilitation to qualified U.S. NVOCCs to conduct their business in China. The Chinese side also pointed out that due to the change of the exchange rate between the Chinese Yuan to U.S. dollar, the amount of financial responsibility in U.S. dollars (which used to be equivalent to 800 thousand RMB) should also be adjusted accordingly. The U.S. side stated that they would provide a written proposal to address these issues. Both sides agreed to further exchange ideas on the above mentioned issues.

¶11. Both sides exchanged views on the competition policy for ocean carriers. Both sides emphasized the importance of consistency in international competition policy in order to avoid any negative effects on the shipping industry due to conflicts of law. Both sides noted that at present there are no plans to change the competition laws in either country which grant anti-trust immunity for ocean carriers.

¶12. Both sides listened to the views of shipping company representatives of both countries, and both sides expressed their willingness to keep open communication with the industry.

¶13. Both sides agreed to hold the 3rd bilateral Maritime Consultative Meeting in the U.S. in 2008.

DONE on November 29th, 2007 in Shanghai, in the Chinese and English languages.

Xu Zuyuan

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